

Indiana Teachers' Retirement Fund Request for Information (RFI)

I. *Introduction*

The Indiana State Teachers' Retirement Fund (hereinafter known as TRF) is searching for investment managers to manage domestic small to mid cap cap portfolios, pursuant to TRF's investment policy and the investment guidelines of the selected manager. TRF intends to hire or retain approximately six firms managing small cap value, growth and core portfolios and one additional manager for a small to mid cap (smid) value portfolio. It is the intent of TRF to notify potential managers of our interest and make clear our search process with this Request for Information.

II. *General Search Process*

TRF announces a search for investment management services by advertising in Pensions & Investments and at least one other local publication. Callan Associates assists with the search. All managers in Callan's Investment Manager Database with updated information on the desired portfolios are automatically considered in the search and do not need to provide additional information. If an interested firm is not currently in Callan's database, the firm must complete and return Callan's Investment Manager Questionnaire. All potential investment managers are encouraged to indicate their interest in the search and/or request questionnaires by contacting Christine Chao at Callan at Chao@Callan.com or (415) 974-5060.

Potential managers are evaluated by staff of Callan and TRF, based on criteria outlined in Section IV. *Evaluation Criteria.* Semifinalists chosen through this evaluation process and reviewed by Callan's Investment Committee are then sent Requests for Proposals. Finalists chosen after review of the RFP's are visited and interviewed by TRF staff. TRF staff will make a recommendation for selection to TRF's Board of Directors. The TRF Board of Directors makes all final decisions on the selection of qualified investment managers.

III. *Manager Search Timeline*

The following timeline is the expected timeline for this search. It is subject to change at the discretion of the Board of Directors and/or Staff.

<u>Activity</u>	<u>Completion Date</u>
RFI advertised	December 26, 2006
Respondents Indications of Interest due	January 8, 2007
Callan Questionnaire submitted if needed	January 19, 2007
Semifinalists sent RFP	February 14, 2007
Proposal Submission Date	February 23, 2007
Interviews	Week of March 5 th , 2007
Due Diligence Visits	Week of March 19 th , 2007
Managers approved by Board of Directors	March 27, 2007
Notify Selected Candidate	March 28, 2007
Contract execution by TRF	April
Manager is funded	May 1, 2007

IV. *Evaluation Criteria*

All potential candidates for the small cap and smid value search will be evaluated using the following criteria:

A. **Organization**

1. **Firm Type** – Only qualified investment counselor organizations registered under the Investment Advisors Act of 1940 that are devoted to managing institutional assets will be considered. This includes investment counselors and investment counseling subsidiaries of banks, brokers and insurance companies.
2. **Firm Size** – Preference is for candidates with a stable and well-diversified client base. In recognition of the fact that small cap managers have limited capacity, candidates with limited product assets will be considered along with larger asset base products.
3. **Financial Well-Being** – Firms should demonstrate success in the business of money management and be committed to continuing to deliver above average product performance and client service. Candidates must possess the financial resources to weather a poor business environment without significant change in their investment process or organization.
4. **Organizational Stability and Depth** – Candidates must exhibit organizational depth and reasonable employee attrition. Impact from turnover should be minimized through the firm's organizational structure and compensation practices. Investment staff should be of sufficient depth and breadth to perform the ongoing duties of the firm.
5. **Key Personnel** – Ideally, at least 2 key decision-makers will have worked together for a minimum of 5 years and in their current organizational setting for at least 3 years. If key decision makers do not satisfy these criteria, the firm must be able to convincingly demonstrate a strong commitment to this product and currently have other professionals on staff who were major contributors to the performance record being used for evaluation. If recently established, the firm should employ principals who have ten years of investment experience and possess a documentable track record.
6. **Capacity** – Firm must have a controlled business growth policy (e.g. limits on accounts per manager or assets per product) and provide reasonable assurance that they will be capable of absorbing additional asset value both from TRF and other accounts, without altering their basic investment philosophy and approach.
7. **Client Service and Reporting** – Preference will be given to firms with dedicated client servicing staff. Eligible firms must be able to provide monthly reports in a timely fashion in accordance with TRF's specified reporting standards.

B. **Investment Management and Performance**

1. **Investment Process** – Investment managers should have a readily understandable and identifiable investment approach. Both fundamental and quantitative processes are acceptable. Preference will be given to firms with internal research capability and/or proprietary model development. The ideal candidate should have a complementary integration of quantitative and qualitative research techniques to facilitate security selection.
2. **Investment Vehicle** - Preference is for a separate account, however, commingled accounts will be considered.
3. **Performance** – The benchmark will be the Russell 2000 Index, Russell 2000 Value Index, Russell 2000 Growth Index or the Russell 2500 Value Index dependent on the manager's style. It is preferred that candidates have at least a three-year "live" track record, however TRF may consider firms with shorter records.
Multiple screens will be utilized to evaluate performance. Historical performance will be scored based on the following:
 - Cumulative 4, 5, 7 year returns where available relative to the appropriate benchmark and the comparable Callan Style Group.
 - Rolling 3-year periods based on quarterly data compared to the appropriate benchmark and style groups.Correlations to the appropriate Callan style group and benchmark, including Z-scores, will be compared among and between candidates.
4. **Risk** – Risk will be evaluated by considering the annual standard deviation of returns and tracking error relative to the appropriate benchmark and style group. Preference will be given to firms with an above average rolling three-year Information ratio compared to their peer group.

- C. **Fees** – Fees will be evaluated relative to industry norms and minimized to the extent possible.

V. ***Inquiries about the RFI and Contact Information***

All inquiries should preferably be directed to Callan Associates' Christine Chao at Chao@Callan.com or (415) 974-5060. Inquiries may be made to TRF directly only through January 8, 2007 to:

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It is TRF's policy that no member of the Board, employee of the Fund, or consultant or advisor to the Fund shall be contacted by interested firms once Indications of Interest are due or a completed questionnaire is submitted (for those firms not currently in Callan's database). However, TRF does reserve the right to initiate discussions with firms to make clarifications and resolve minor issues.

The solicitation of Indications of Interest in no way obligates TRF to ultimately hire any investment manager.